

PRESENTED BY:



Neal Bawa



**DISTRESS CLOUDS GATHER AND BRING OPPORTUNITY WITH THEM**

REAL ESTATE TRENDS *plus*  
BEST CITIES TO INVEST IN

PRESIDENT AND CEO, GROCAPITUS

# Meet Neal & Anna



Neal Bawa

CEO & FOUNDER



Anna Myers

COO



UGRO



Multifamily University

\$1B

PORTFOLIO

4,800

UNITS

10

STATES

17

METROS

31

PROPERTIES

1000+

INVESTORS



COYOTE C EQUINOX A MIDTOWN MILLER THE GR UNIVERSITY OAKS

St. George, UT  
UNITS

Atlanta, GA  
UNITS

Chattanooga, TN  
19

Provo, UT  
U

Buffalo, NY  
U

Houston, TX | 16  
PLEXES



GROCAPITUS

# Our Partial Portfolio



## Nova RTP Townhomes

NEW CONSTRUCTION  
MULTIFAMILY  
46 UNITS  
DURHAM, NC



## University Oaks

NEW CONSTRUCTION  
MULTIFAMILY  
16 PLEXES  
HOUSTON, TX



## Country Place

VALUE-ADD  
MULTIFAMILY  
137 UNITS  
KILLEEN, TX



## Botanica Oak Hills

NEW CONSTRUCTION  
MULTIFAMILY  
96 UNITS  
SAN ANTONIO, TX



## The Falls at Crismon Commons

NEW CONSTRUCTION  
MULTIFAMILY  
240 UNITS  
MESA, AZ



## Coyote Creek

NEW CONSTRUCTION  
MULTIFAMILY  
116 UNITS  
ST GEORGE, UT



## Mill Race Phase 1A

NEW CONSTRUCTION  
STUDENT HOUSING  
210 UNITS  
PROVO, UT



## The Grid: Main & Dodge

NEW CONSTRUCTION  
STUDENT HOUSING  
217 UNITS  
BUFFALO, NY



## Woods Cross Flex

NEW CONSTRUCTION  
INDUSTRIAL  
6 BUILDINGS  
SALT LAKE CITY, UT



## Equinox at Knight

VALUE-ADD  
MULTIFAMILY  
194 UNITS  
ATLANTA, GA



## Storage Depot

VALUE-ADD + NEW  
SELF-STORAGE  
873 UNITS  
WEST MEMPHIS, AR



AND MANY  
MORE....



## INVESTOR TESTIMONIAL

# Jennifer F

“

Neal does wonders with investor money. **The ROI with Neal beats all my projects with other firms.**

Neal manages each project with unbeatable efficiency. He has a great team, and I have been working with the same team today as I started four years ago.

Bottom line - Neal is a disruption force in his field, he has everything down to a science. He fuses the best practice of both technology and business, into his workflow. And he always seeks the truth. If you are with Neal, you are on the fastest train!”





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IMPORTANT

# Two Cents From Our Lawyer

- We are not investment advisors, and this seminar is provided for educational purposes only.
- All investments involve different degrees of risk. You should be always aware of your risk tolerance level and financial situations.
- You are free to accept or reject all investment recommendations made by us.  
All services that we offer are subject to market risk and may result in loss to your investment.
- As you know, a recommendation is not a guarantee for the successful performance of an investment, and we cannot guarantee against losses arising from market conditions.
- Do not invest your money on our recommendation alone. Consult a professional advisor.
- HOUSEKEEPING – Recording? Questions?





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# 2024 2<sup>nd</sup> half Economic Forecasts

**What's The FED's Perspective on the Economy and Financial Markets?**



“

The May jobs numbers kill off any lingering chance of the Fed cutting interest rates in July, but our base case remains that a run of much weaker prints is coming, enabling a September easing. **We continue to look for 125 basis points of easing this year.**



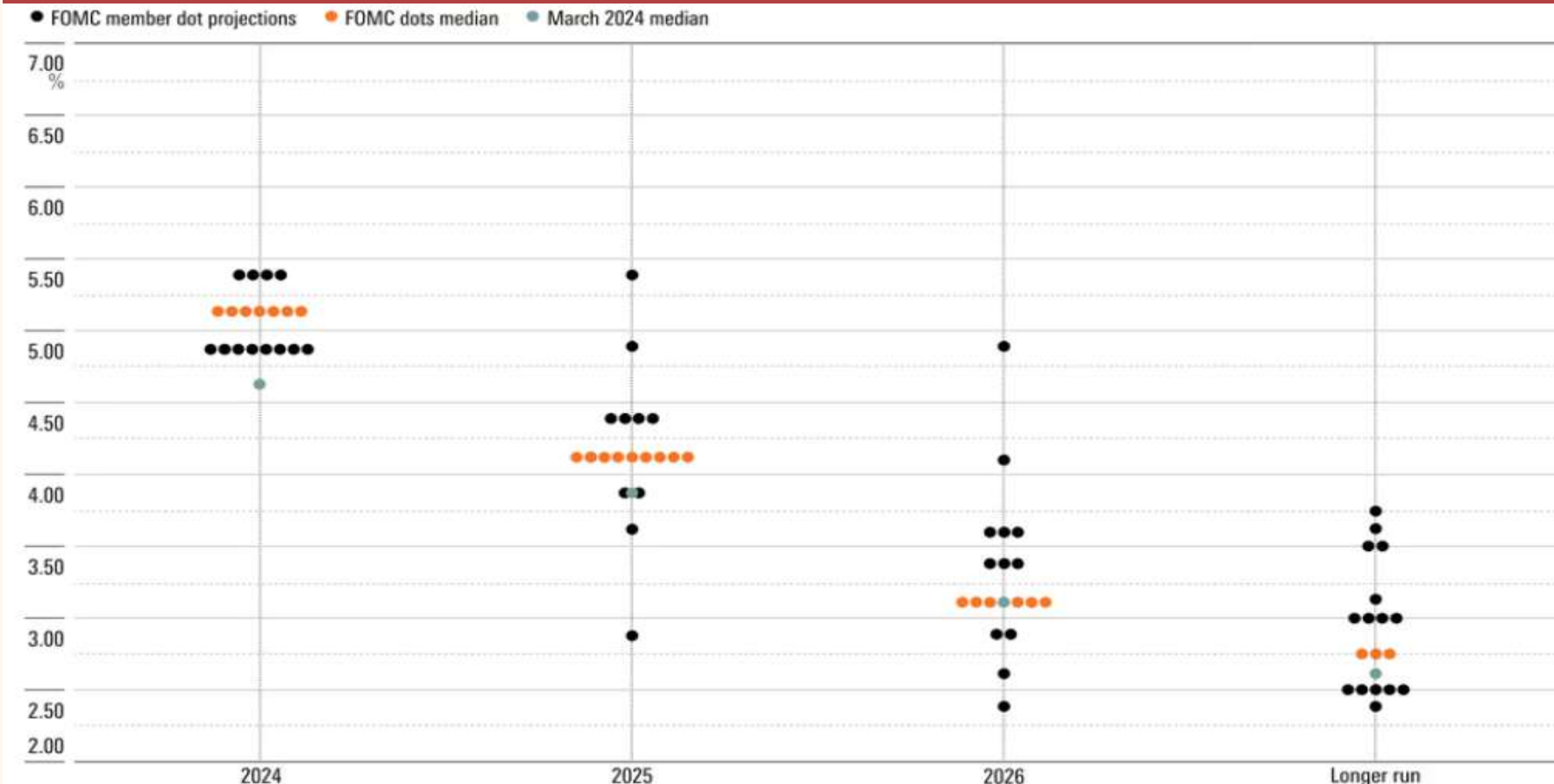
IAN SHEPHERDSON  
Chairman and Chief Economist





# The Dot Plot: Federal-Funds Rate Target Level

FOMC PARTICIPANTS' ASSESSMENT OF APPROPRIATE MONETARY POLICY AT THE JUNE 12, 2024 MEETING



# The FED on 2024: Fading Recession Risks?

**2.1%**

forecast GDP  
growth, 2024

Fed members projected 2024 GDP growth of 1.4%, but have now raised their projection to 2.1%

**4.0%**

forecast unemployment  
rate, 2024

While wage growth has been one driver of inflation in recent times, the Fed sees a diminishing inflation threat from current wage growth trends

“

The job market remains strong, and there are no signs of significant deceleration in economic growth.”



# A Slowly Cooling Economy Heading Back To Normal

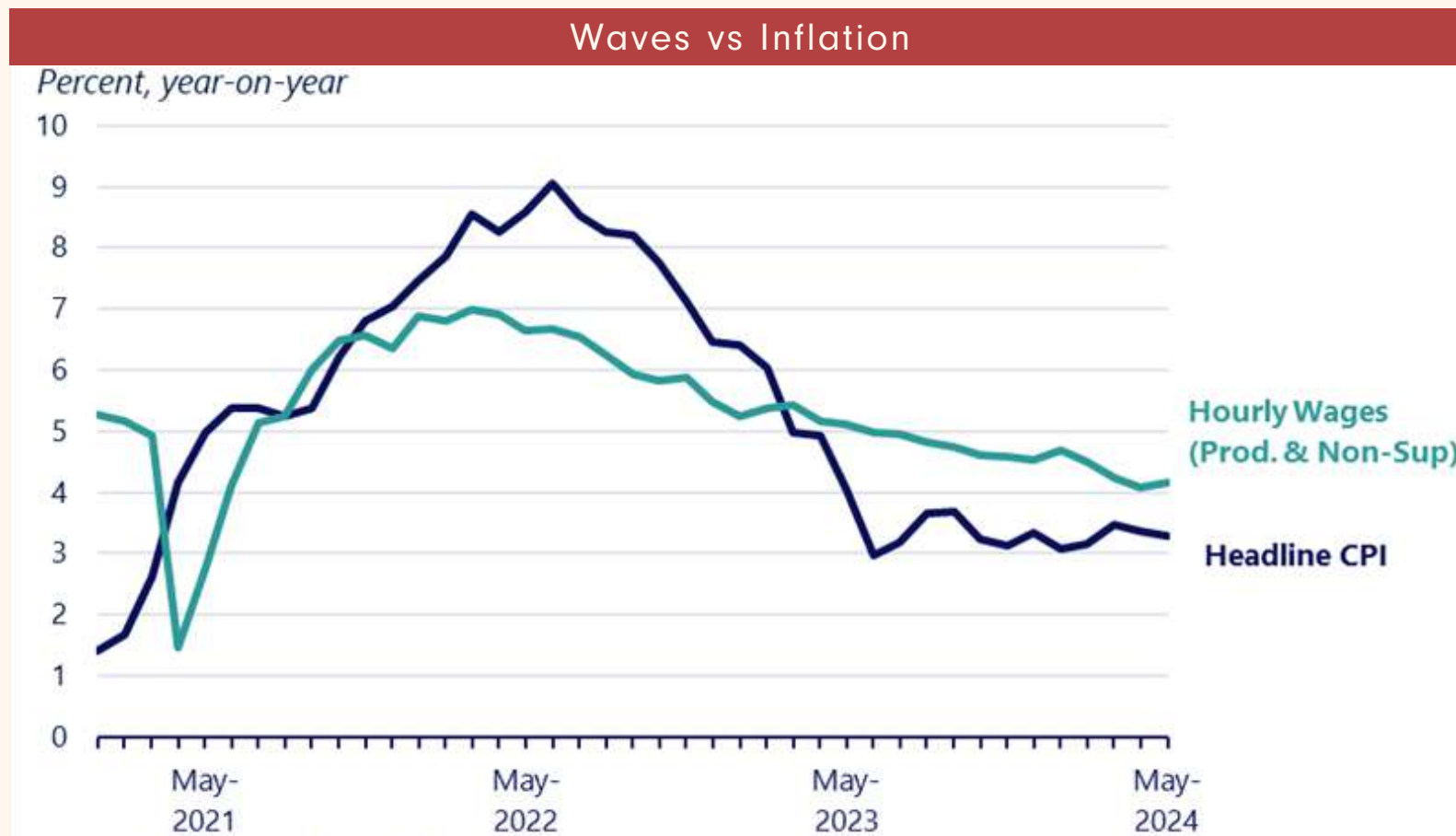


The substantial decline in job openings in April, to the lowest level since February 2021, paints a clear picture of a **job market that has essentially returned to its pre-pandemic balance and is on the cusp of a soft landing**



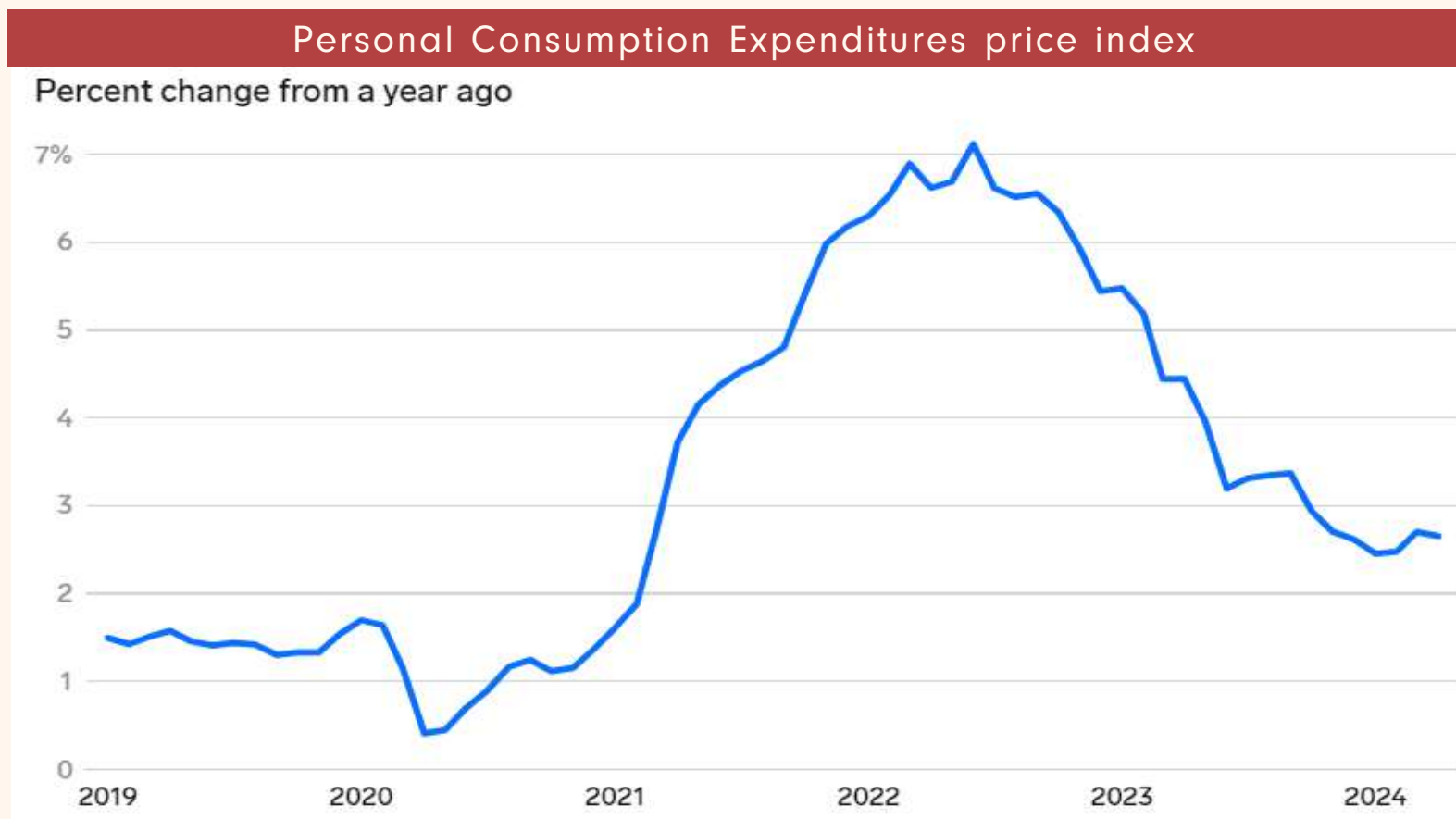
Nick Bunker  
Economic Research  
Director

# Wage Growth Outpaces Price Increases for 15 Months





# PCE Price Index Indicating Potential for Soft Landing



“

To me, a soft landing is when the unemployment rate has basically hit its **full-employment level and the inflation rate is gradually coming down to a rate that's acceptable**

With this Friday's jobs report, we expect a 30th consecutive month in which the **unemployment rate is at or below 4%**. It sounds to me that the plane basically landed 2 1/2 years ago and it's just been cooling down ever since!



Dr. David Kelly

CHIEF GLOBAL STRATEGIST

**J.P.Morgan**  
Asset Management





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# All that horrible news about real estate

**The media seem to think that the real estate world is ending. Is it?**

# CMBS Delinquencies Low by Historical Standards



Delinquencies

30+  
days late



A far cry from foreclosures



# Fitch: CMBS Delinquency Projections

FitchRatings



**1.3%**

Multifamily CMBS  
delinquency (forecast)

2024

**1.5%**

Multifamily CMBS  
delinquency (forecast)

2025

**8.1%**

Office CMBS  
delinquency (forecast)

2024

**9.9%**

Office CMBS  
delinquency (forecast)

2025



# What About Foreclosures Across CRE?



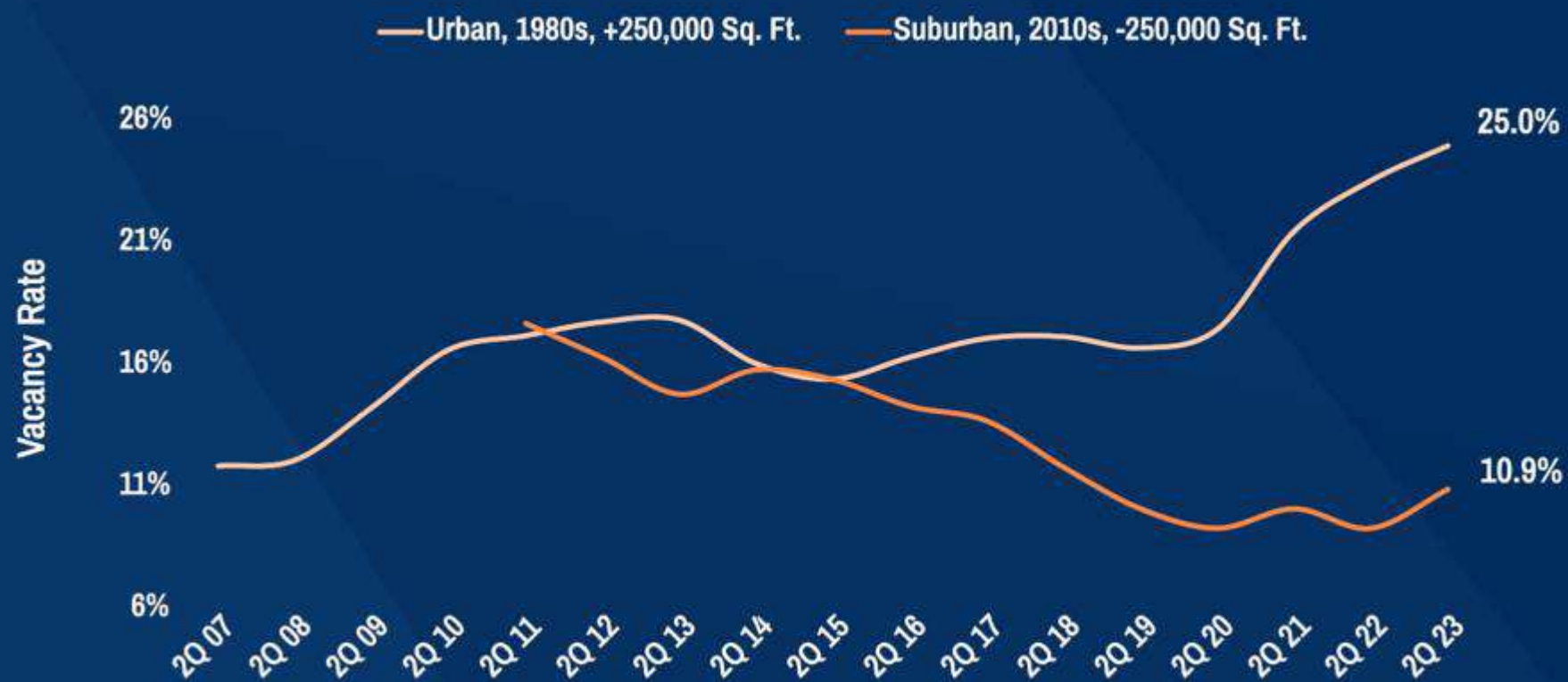
## FORECLOSURE DOWNTURN

Post-pandemic policies eased foreclosure risks temporarily, leading to a lull in foreclosure activity. Currently, we're beginning to see these postponed foreclosures emerge





# Majority of Foreclosures in Older Urban Offices



## OLDER URBAN OFFICES

pose the greatest risk of foreclosures moving forward as evidenced by significant climb in vacancy rates to 25%



# CRE Debt Maturing in 2024 by Property Type



## LOAN EXTENSIONS

The loan extension strategy previously effective, is back. Success in mitigating distress will depend on the economy's trajectory, interest rate trends, and the real estate market's health



# Retail: Vacancy Rates Near 20 Year Record Low



## RENT GROWTH

is also on the upswing





# Hotels: Occupancies Back to Pre-COVID Levels



**AVERAGE  
DAILY RATES**  
are up significantly

**+24%**  
full service

**+20%**  
limited service



# Industrials: CMBS Delinquencies Non-Existent

0.4%

Industrial CMBS Delinquency Rate



# CRE Stability in Sight: Fear Overblown

“

WHILE IT IS POSSIBLE WE COULD HAVE  
A CRE DRIVEN FINANCIAL CATASTROPHE,  
THE EVIDENCE JUST ISN'T SHOWING  
UP IN THE PROPERTY FUNDAMENTALS.

”

Marcus & Millichap

“

THE NEW DATA DOESN'T CHANGE MY PERSPECTIVE  
ON THE RISK COMMERCIAL REAL ESTATE  
POSES TO THE BANKING SYSTEM.  
I STILL THINK THE RISK IS LOW.

”

Marcus & Millichap





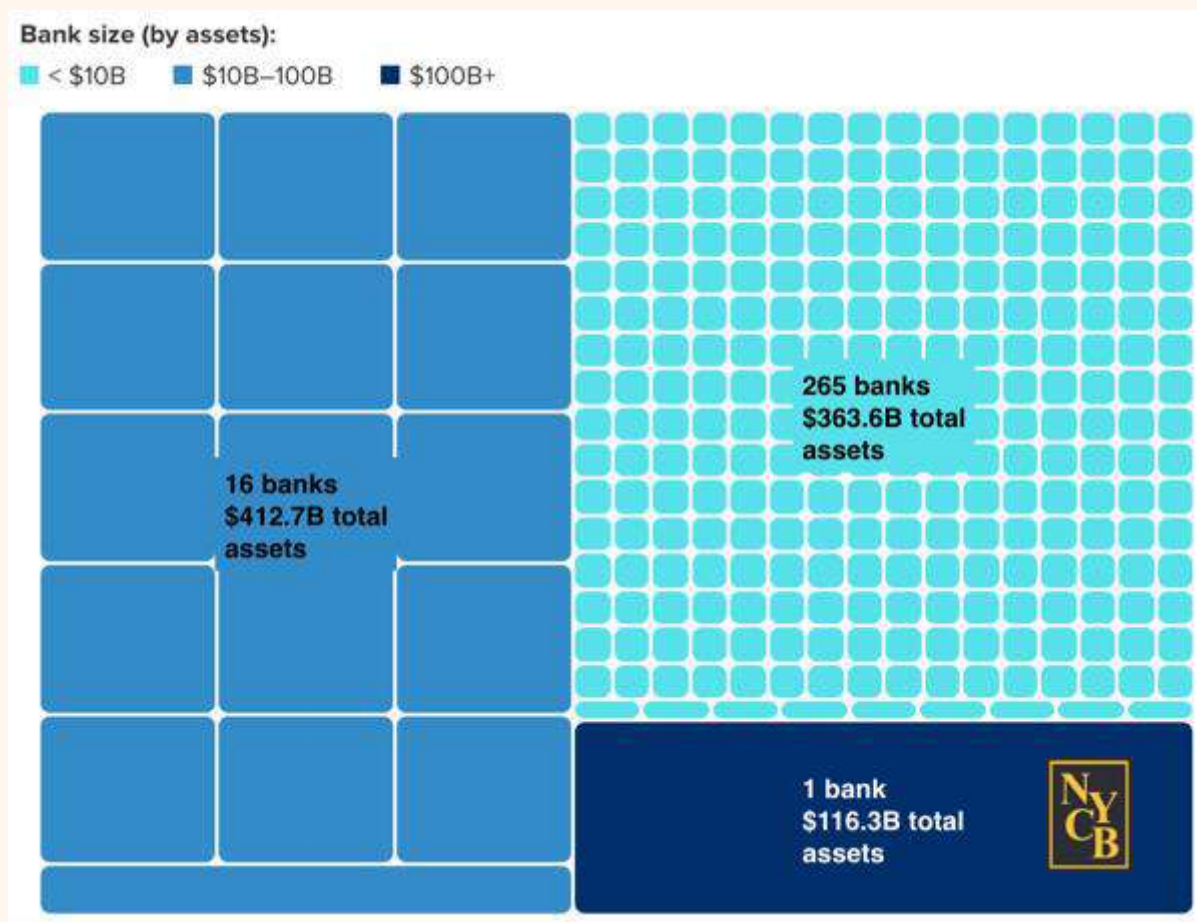
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# Could CRE distress take down banks?

**Let's figure out if the banking sector is in trouble because of real estate loans**

# Stressed Banks: 280+ At Risk of Needing Capital



## Klaros Group Analysis

4,000

U.S. banks  
analyzed

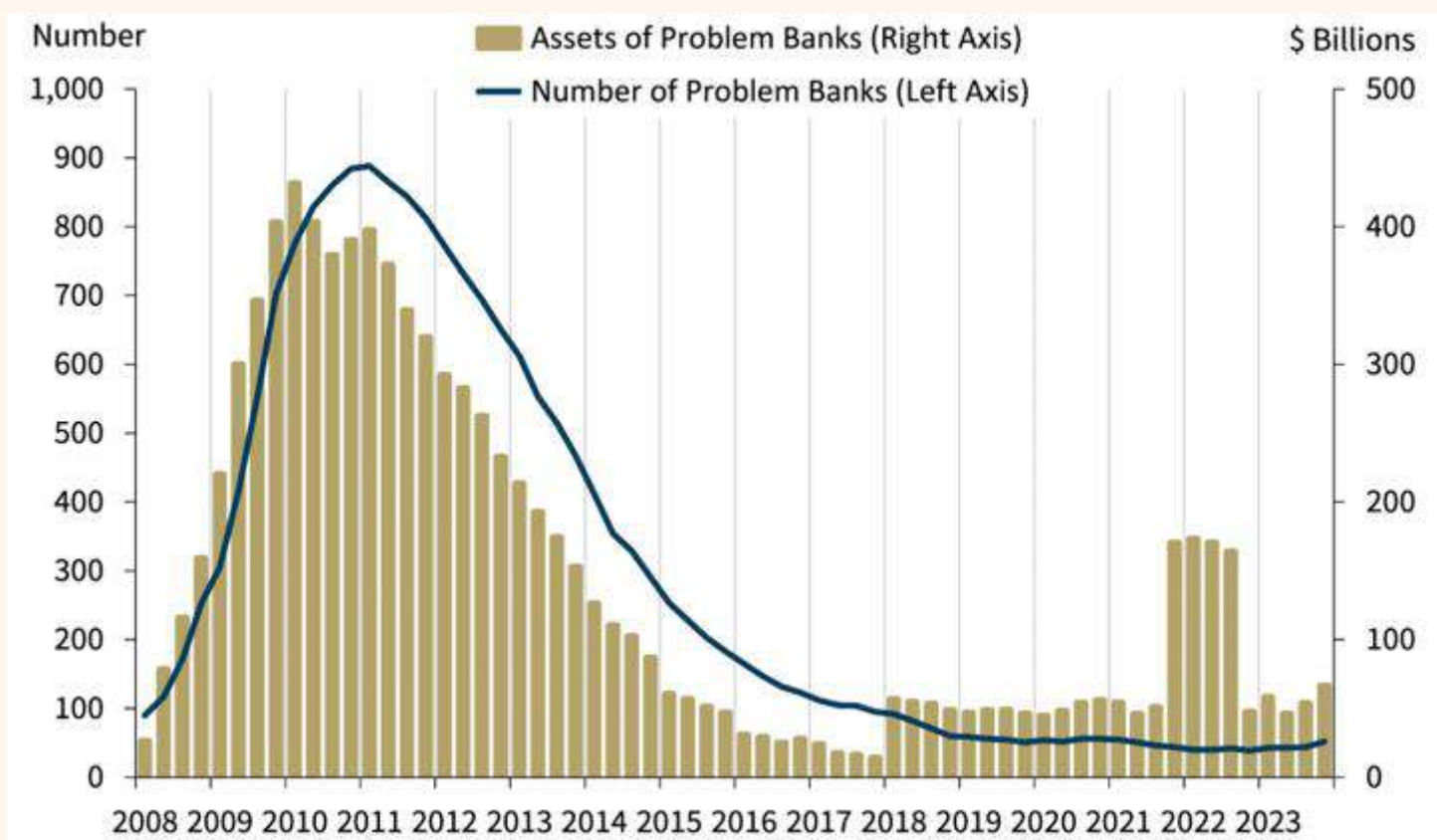
282

banks with CRE loans making up over 300% capital, and firms where unrealized losses on bonds and loans pushed capital levels below 4%



**Potentially toxic combo that may force these lenders to raise fresh capital or engage in mergers**

# FDIC's "Problem Bank List"



## PROBLEM BANK LIST

### Definition:

Companies with the worst financial or operational ratings in the past year.

52 lenders



13 added in 1 year

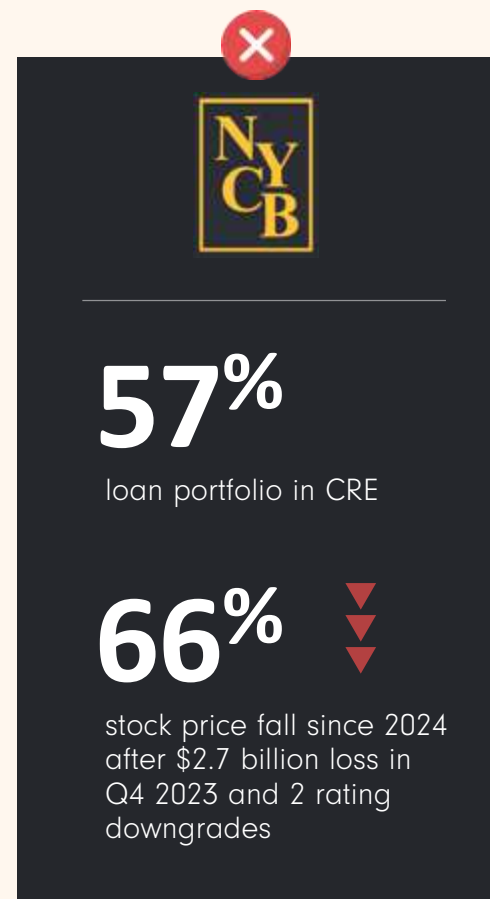
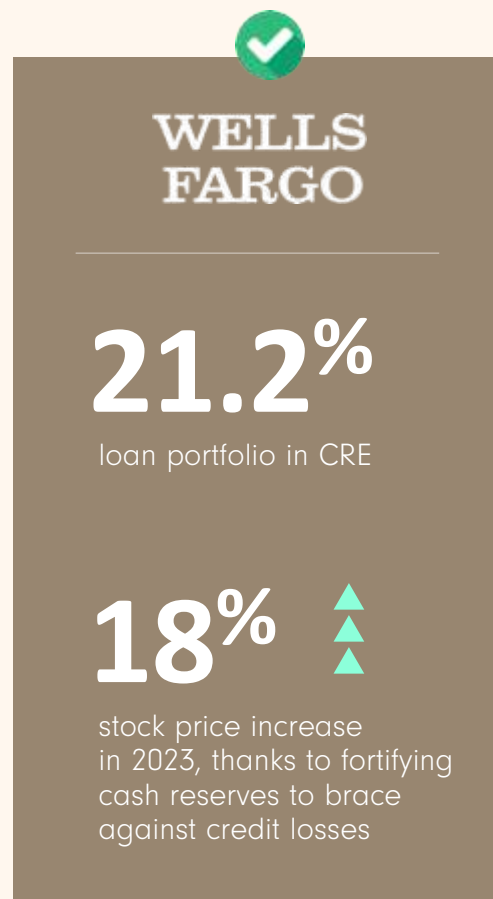
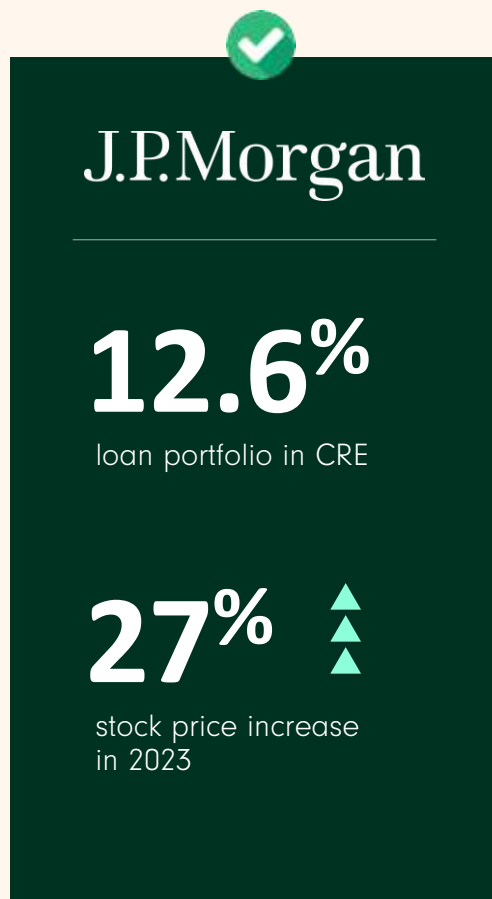
\$66.3B

combined assets





# Big Bank Resilience Amidst CRE Exposure



## KEY TAKEAWAYS

- Major banks remain relatively insulated with average CRE loan concentration of 11% versus 21.6% for smaller banks.
- CRE exposure impact varies widely with bank size and risk management strategies
- Major banks exhibit stronger buffers and a cautious approach in response to CRE market challenges

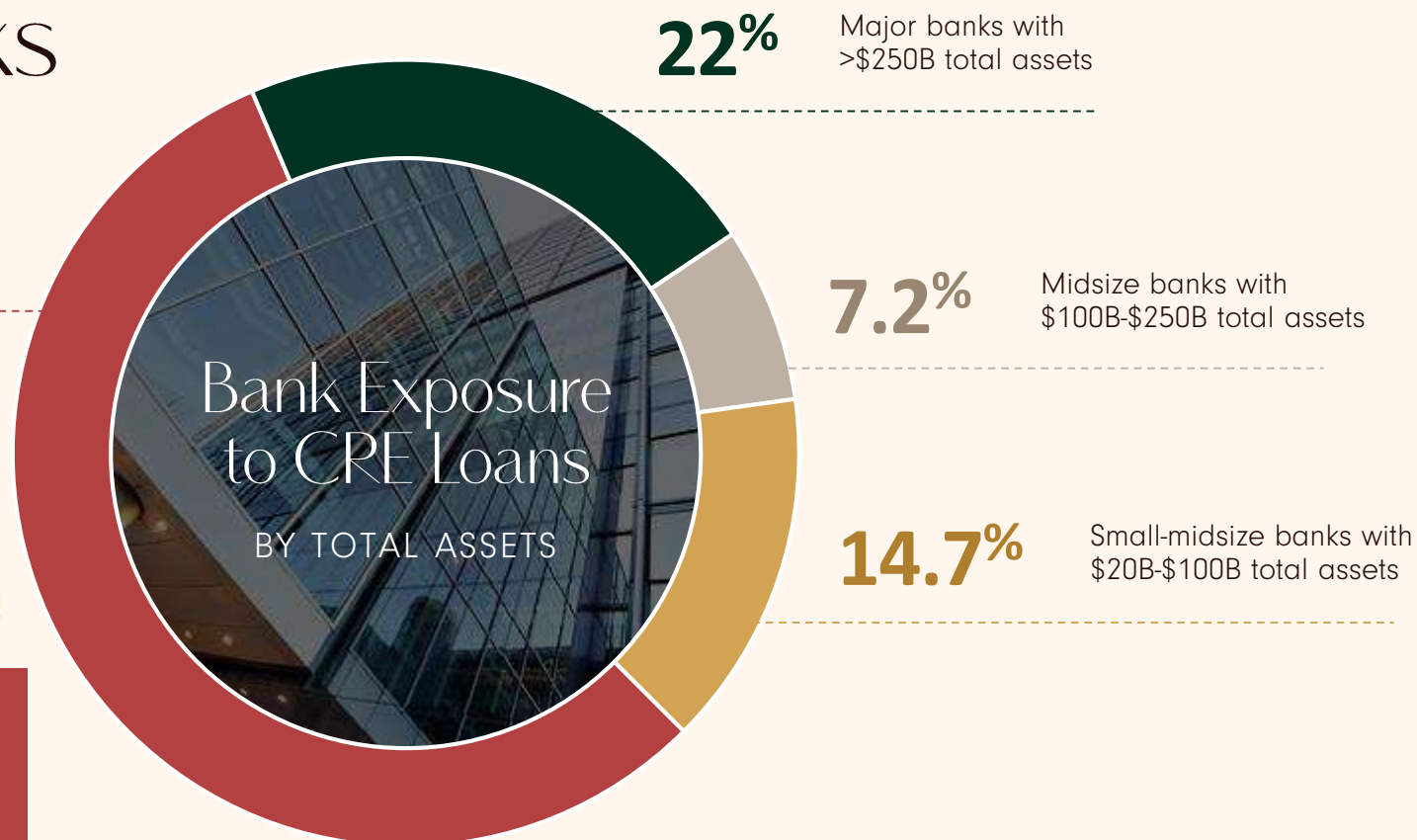
# Majority of CRE Loans Lurk in Small Banks

**56.1%** Small regional banks with <\$20B total assets

- Many regional banks' share prices have been impacted due to their CRE exposure.
- Small banks collectively hold over half of all CRE loans, heightening their risk profile.



This shake-up is a call to action for **robust risk management and strategic foresight**







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# Let's Dive into Real Estate Now

**Yesterday and Tomorrow – Review & Forecasts for Single Family & Multifamily**



# Home Prices Hit Record High in May



INVENTORY



HOME PRICES

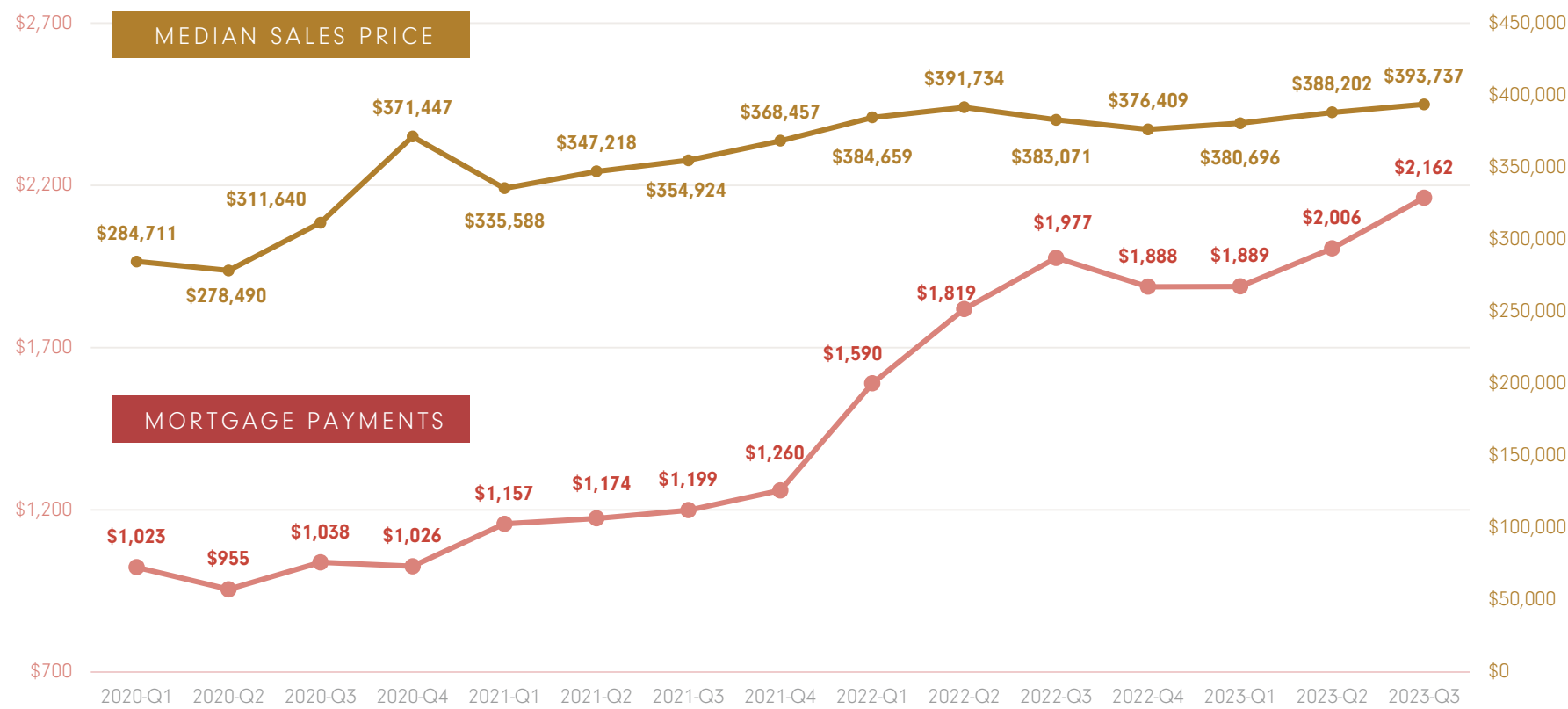
# Home Prices Hit Record High in May



**31%**  
FIRST TIME  
BUYERS



# Single-Family: Stuck in a Bubble



Monthly Mortgage Payments  
(change since Q1 2020)

**+111.3%**

Median Sales Price  
(change since Q1 2020)

**+38.3%**

Interest Rate increase  
(change since Q1 2020)

**+3.81%**



# Lock in effect will keep home prices high

## Purchased 6-7 Yrs Ago

Home price appreciated every year, especially over the last two years



HOME VALUED AT  
**\$1.2M**

REFINANCED AT  
**3%** 

EQUITY BUILT UP  
**\$350,000**

MORTGAGE PAYMENTS  
**\$3,600**



Wife is pregnant,  
need to purchase  
bigger home

## Bigger Home

So, you go check out properties  
and you start doing the math...



HOME GOING FOR  
**\$1.5M**

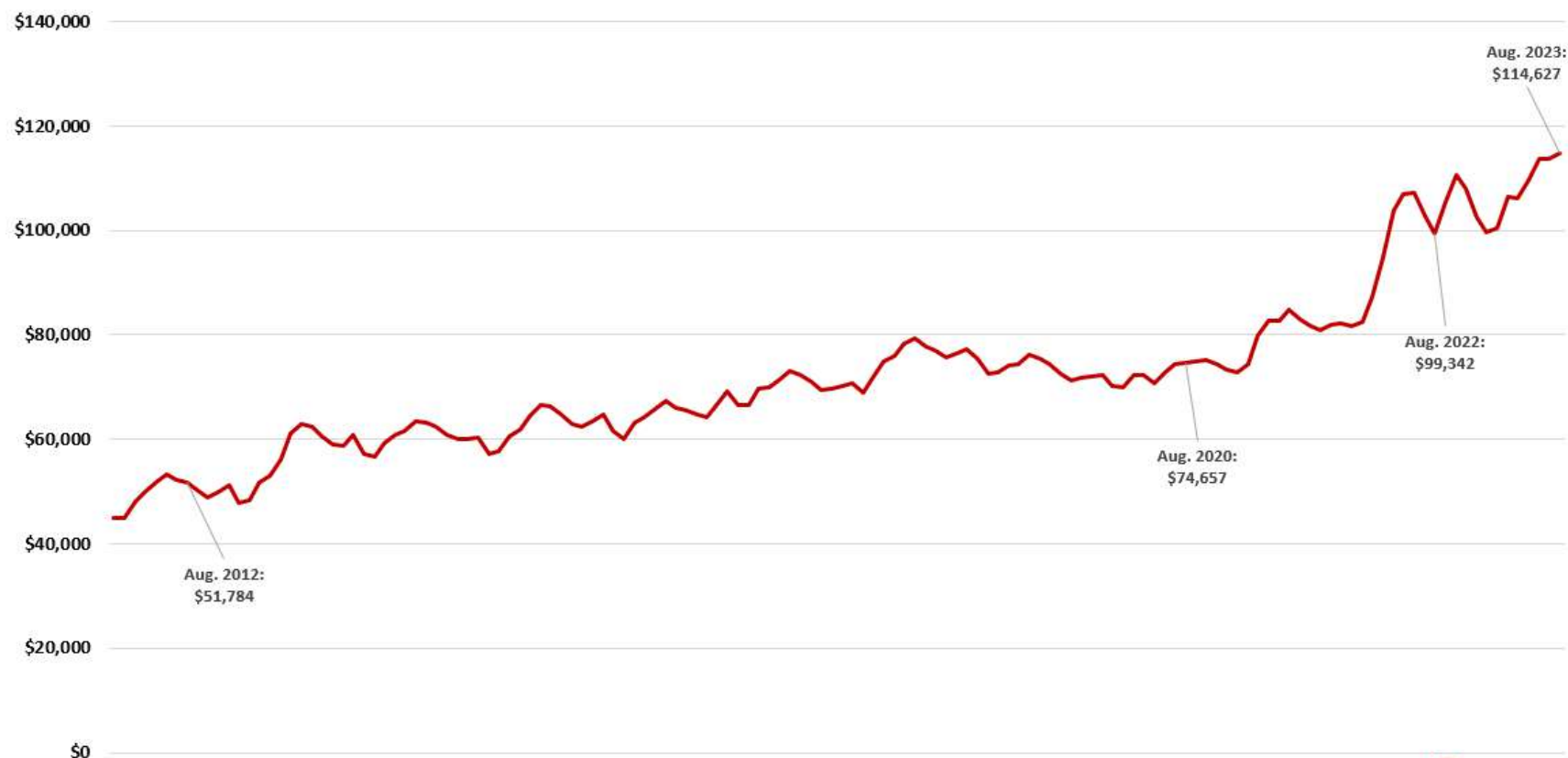
CURRENT RATE  
**6.6%** 

EQUITY PUT DOWN  
**\$350,000**

PRINCIPAL + MORTGAGE  
**\$7,600**

IT'S HARDER THAN EVER FOR AMERICANS TO AFFORD A HOME

# Buyers Must Earn \$115K+ to Afford Typical Home



**+15%** Median home price increase (one-year)

**\$75K** Median household income (2022)

**WARNING**

"Affordable" means homebuyer spends no more than

**30%** on monthly mortgage payment

HOUSING COSTS ARE HIGHER THAN EVER

# Homeownership Feels Increasingly Out of Reach: Metro-Level

TYPICAL U.S. HOUSEHOLD EARNS

**\$40,000** less

INCOME NEEDED TO BUY MEDIAN PRICED HOME

## ANNUAL INCOME NEEDED TO AFFORD A HOME



SAN FRANCISCO, CA

**\$404,000**



**+23%**

YoY change

**\$1.5M**

Median  
home price



PHOENIX, AZ

**\$121,000**



**+14%**

YoY change

**\$450K**

Median  
home price



US AVERAGE

**\$115,000**



**+15%**

YoY change

**\$330K**

Median  
home price



MEDIAN HH INCOME

**\$75,000**

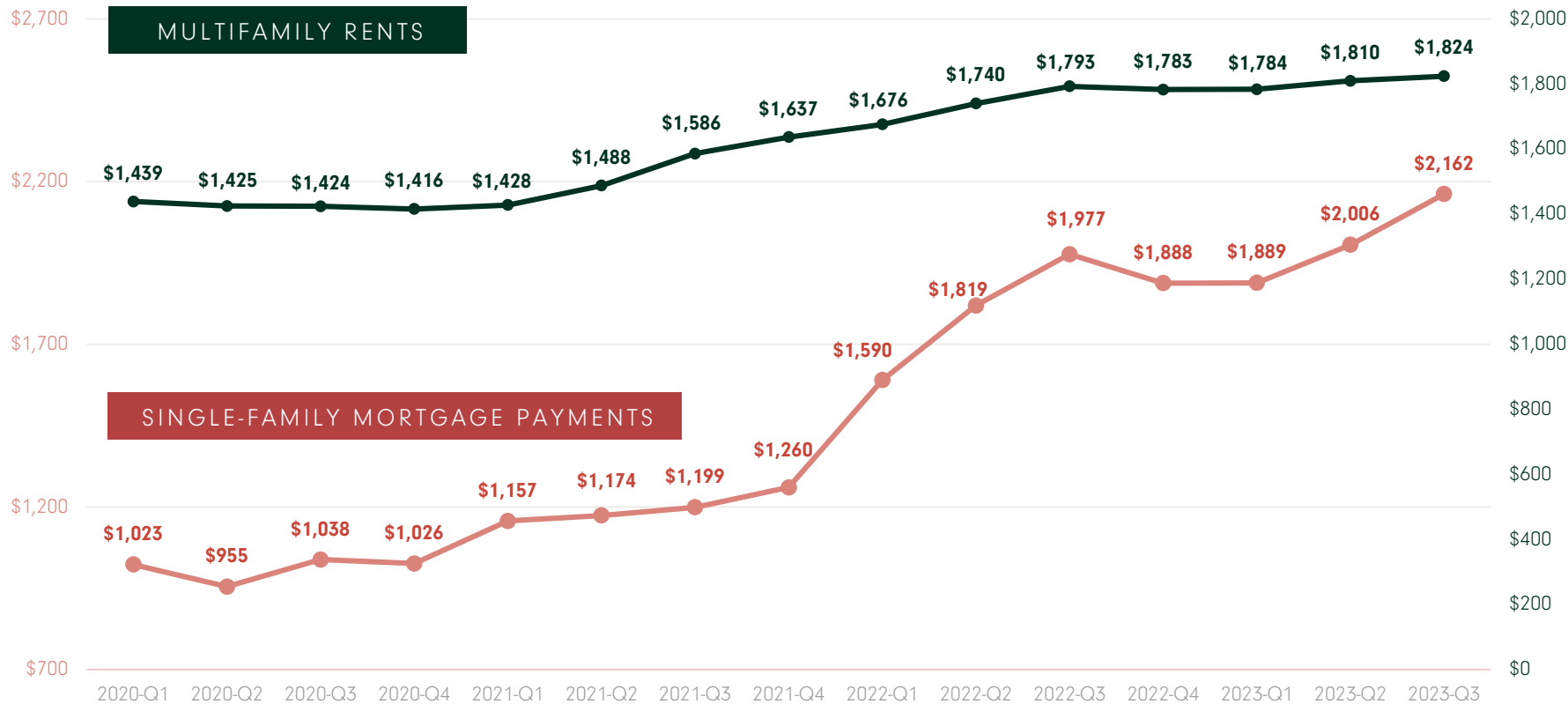


**+5%**

Avg. hourly  
wage increase



# Multifamily: Seeing Balanced Growth



**Multifamily YoY Rent Growth**  
(change since Q1 2020)

**+19.6%**

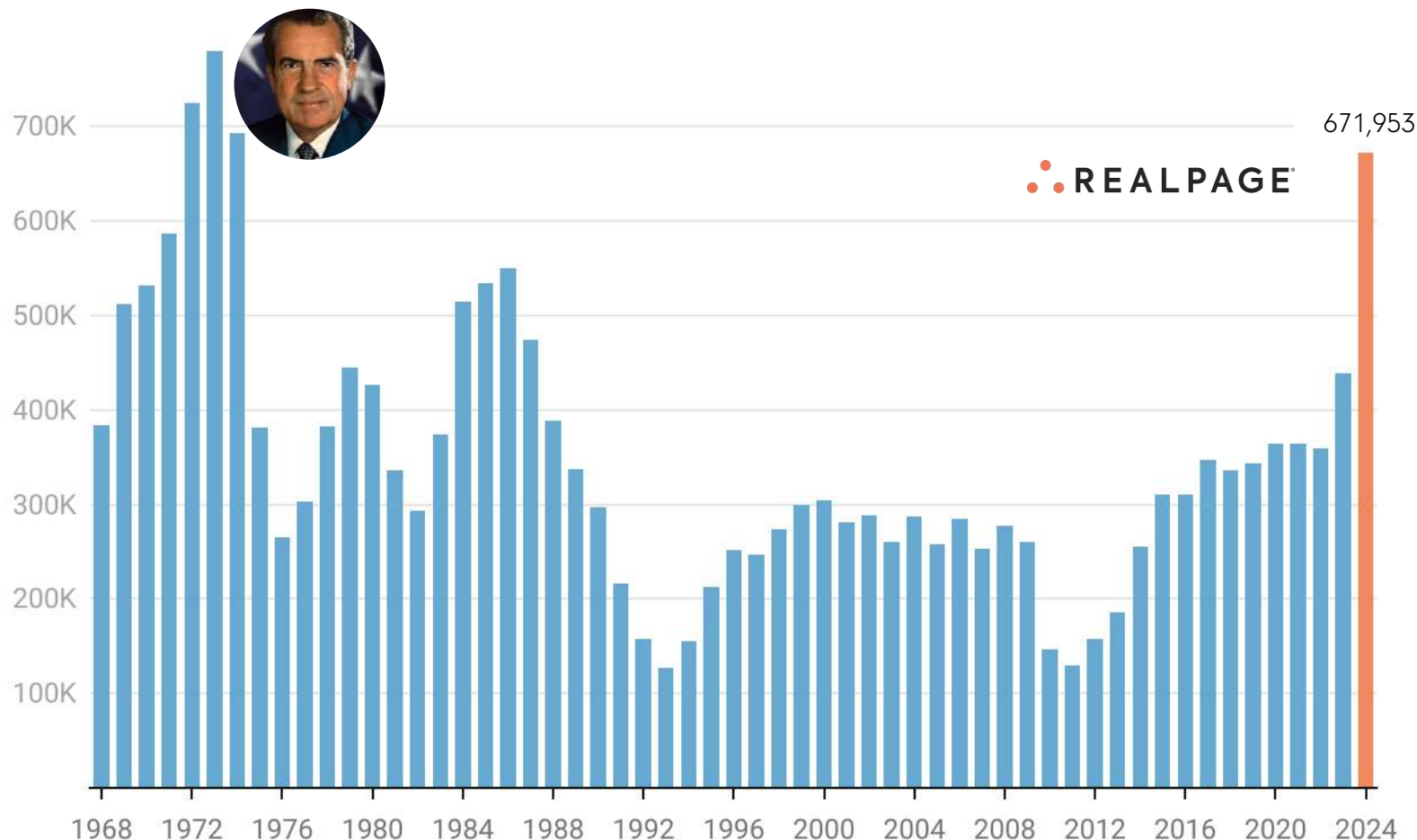
**YoY Wage Growth**  
(change since Q1 2020)

**+19.7%**

**Multifamily Monthly Rent**  
(change since Q1 2020)

**+\$385**

# Supply: Reaching Highest Level Since Nixon Era



## Apartment Oversupply Expected in 2024

2024 will see the most new apartments in decades. Nearly 1M new apartments are currently under construction. This uptick in supply is primarily contributed by Sun Belt markets like Austin, TX; Raleigh, NC; Nashville, TN; Jacksonville, FL; and Charlotte, NC. As supply becomes more available in these hot markets, rents may ease.

APARTMENT OCCUPANCY IS FINALLY BACK UP

# Strong Supply Leads To Slower Rent Growth

RENTS GREW

**0.1%**

YoY in April

**+2.7%**

MIDWEST

**+2.4%**

NORTHWEST

**-1.4%**

SOUTH

**-0.2%**

WEST



**479,367**

1Q24 ANNUAL SUPPLY  
(units)



**317,241**

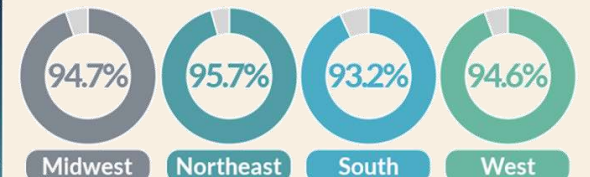
1Q24 ANNUAL DEMAND  
(units)

**0.2%**

Monthly Effective Rent Change

**\$1,819**

Average Effective Rent

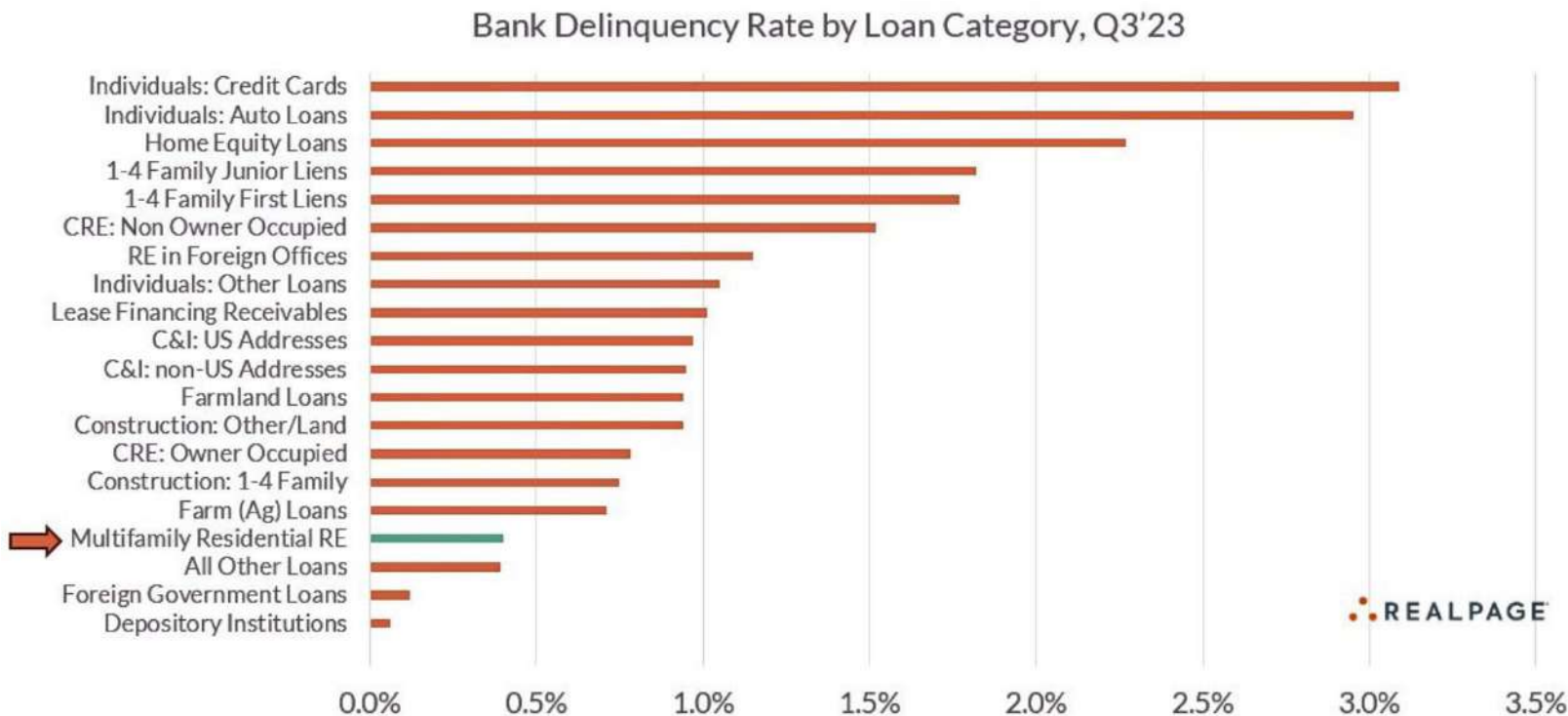


U.S. Average Occupancy  
-0.5% YoY



# Multifamily Distress: Sporadic, not Widespread

MULTIFAMILY RANKS AMONG ONE OF THE LOWEST DELINQUENCY SECTORS



## Sporadic distress to occur with:

- ✓ Inexperienced sponsors/borrowers
- ✓ Class B and C assets
- ✓ Tertiary locations
- ✓ Subpar demographics
- ✓ Sponsor failed to execute business plan
- ✓ Sponsor didn't have ample cash reserves to cover downside risk

WHERE DO WE GO FROM HERE?

# Why is This a Great Time to Buy Multifamily?

## Rates Will Fall

Interest rates have peaked and are on their way down in 2024. Many institutions have already forecast interest rate cuts



## Highly Discounted

Multifamily deals well below peak offers in 2022 with the highest purchase cap rates we've seen but will compress in 2025



## Strong U.S. Economy

Our economy avoided a recession and is doing phenomenally well. Soft landing was achieved. Wage growth finally surpassed inflation



## Rent vs Buy

The monthly purchase cost now exceeds rent by more than 50%. It's looking better to rent than to buy a home for the majority



## Favorable Loans

Buying properties with fixed interest rate interest only loans is better than ever. Benefit from rates being high by buying assets with assumable fixed rates



## Single Family Overvalued

Home prices overvalued in 88% of the U.S. according to Fitch Ratings. There's only potential for decline - but rate lockdowns prevent declines





2024 Economic Forecasts

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# Time for the Shootout

**Welcome to the most confusing Best Cities list EVER**



4-YEAR PROJECT IN A SUPER STAR METRO WITH A THRIVING ECONOMY

1

# New Construction: Townhome BTR Community

## STRONG PROJECTED RETURNS

1.92x Equity Multiple  
Class B2

23% AAR  
Class B2

7% Pref  
Class B2



## FOLLOWING SUCCESSFUL BTR BLUEPRINT

#1

Best small city 2021, 2023, and 2024 by Milken Institute with exceptional income and population growth.

## BE AN...

- ✓ Investor
- ✓ Equity Partner
- ✓ Major investor + GP benefits



2

STRONG FUND CASH FLOW, LOCKED IN INTEREST RATE &amp; HIGH LTV

BE AN...

- ✓ Investor
- ✓ Equity Partner
- ✓ Major investor + GP benefits



MIDTOWN RIDGE: CHATTANOOGA, TN

5.3%

Assumable FIXED  
interest debt

20%

Projected AAR

193

Townhome  
Style Units

PARK AVENUE VILLAS: TALLAHASSEE, TX

73%

LTV  
(2 fixed loans)

4.4%

Blended I/R  
well below market

\$149

Rent premium  
over 121 unitsTARGETED  
RETURNS

13-18%

IRR

16-19%

AAR

5-7%

CoC

1.5-1.9x

EM

3

PARTICIPATE OVER 5-6 YEARS IN OUR MISSION

# Join Mission 10K



## BUILDING WHAT AND WHERE

10K

Affordable townhomes in underserved fast-growing secondary markets

LOW  
cost

Vertical construction costs  
\$120-\$140<sup>PSF</sup>

NO  
amenities

Townhome communities with no pools, gyms or clubhouses

## DESIGNED FOR WHOM

families with incomes under

\$80K

rents between

\$1.5K-\$2K

## TYPICAL RENTS

Projected rents

\$1.35<sup>PSF</sup>



## BE AN...

- ✓ Investor
- ✓ Equity Partner
- ✓ Major investor + GP benefits





USE THE QR CODE TO INDICATE INTEREST

# Typical Opportunities

## BE AN...

- ✓ Investor
- ✓ Equity Partner
- ✓ Major investor + GP benefits



1

### NEW CONSTRUCTION:

Invest in build-to-rent projects



Inspirational image only.

2

### CASH FLOW:

Invest in value-add multifamily projects



3

### BUILD 10,000 TOWNHOMES:

Participate in Mission 10K



USE THE QR CODE TO INDICATE INTEREST

# Ongoing Relationship Proactive & High-Touch Investor Relations



Peter Majeski

- Grocapitus Investor Relations Director
- Expert at delivering first-class, high-touch investor relations services
- Agency, public company, private equity, and online marketplace experience
- Current and potential investors' primary point of contact at Grocapitus

Talk With Peter



Inspirational image only

[grocapitus.com/investor-call](https://grocapitus.com/investor-call)



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# Time for the Shootout

**Welcome to the most confusing Best Cities list EVER**



TEXAS AND FLORIDA TOP LIST AGAIN

# U-Haul: 2023 Growth States

## THE BIGGEST LOSERS

#49	Massachusetts (47)
#50	California (50)



## THE BIGGEST WINNERS

#1	Texas (1)
#2	Florida (2)
#3	North Carolina (4)
#4	South Carolina (3)
#5	Tennessee (6)
#6	Idaho (10)
#7	Washington (23)
#8	Arizona (7)
#9	Colorado (11)





# Realtor.com Top 10 Housing Markets for 2024 – no Southeast !!

Affordability propels sales and price growth in top markets in the Midwest and Northeast

#	Metro	Region	2024 Sales Growth (Y/Y%)	2024 Price Growth (Y/Y%)	Combined Growth
1	Toledo, OH	Midwest	+14.0%	+8.3%	+22.3%
2	Oxnard, CA	West	+18.0%	+3.3%	+21.3%
3	Rochester, NY	Northeast	+6.2%	+10.4%	+16.6%
4	San Diego, CA	West	+11.0%	+5.4%	+16.3%
5	Riverside, CA	West	+13.8%	+2.0%	+15.8%
6	Bakersfield, CA	West	+13.4%	+2.3%	+15.7%
7	Springfield, MA	Northeast	+10.5%	+4.2%	+14.7%
8	Worcester, MA-CT	Northeast	+9.1%	+4.8%	+13.9%
9	Grand Rapids, MI	Midwest	+6.1%	+7.2%	+13.3%
10	Los Angeles, CA	West	+9.2%	+3.5%	+12.7%





# Hottest Real Estate Markets of 2024 – Ohio rules !!

Based on an analysis of forecast home value growth, recent housing market velocity and projected changes in the labor market, home construction activity and number of homeowner households

Rank	Metro
1	Buffalo, NY
2	Cincinnati, OH
3	Columbus, OH
4	Indianapolis, IN
5	Providence, RI
6	Atlanta, GA
7	Charlotte, NC
8	Cleveland, OH
9	Orlando, FL
10	Tampa, FL



SPINX

# Top 10 Boomtowns of the Future – 2024 Edition

Boomtowns are defined as cities with the makings for startup greatness but haven't yet gotten popular enough to drive up the costs of living.

Rank	Metro
1	Salisbury, MD
2	Grand Rapids, MI
3	San Jose, CA
4	Knoxville, TN
5	Oklahoma City, OK
6	Pittsburgh, PA
7	Daytona Beach, FL
8	Lafayette, LA
9	Mountains Edge, NV
10	Myrtle Beach, SC



# MARKERR

## Top Cities Deemed the “Next Austin” in 2024

Markerr analyzed metrics including population, education, growth of tech workers, and salaried workers in Austin 2011 and compared it to today

#	Metro	Year	Population	% Skilled Tech
1	Raleigh-Durham, NC	2023	1,500,000	13.3%
2	Provo, UT	2023	721,000	13.3%
3	Madison, WI	2023	687,500	9.2%
4	Kansas City, KS	2023	2,210,500	17.2%
5	Colorado Springs, CO	2023	766,500	9.9%
	Austin	2011	1,785,000	9.8%



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# Neal's Picks for 2024

**Not the analyst's picks, but Neal's personal 2024 picks for real estate investment**



# Best Up and Coming market

## Grand Rapids, MI

Last year, we mentioned Grand Rapids as a near miss, losing this category to Jacksonville, and this year, Grand Rapids, MI gets its time in the limelight.

Strong value index, affordable cost of living, a vibrant downtown, quaint neighborhoods and lively business districts are what supports Michigan's second-biggest city growth. It offers a better value than similarly sized metro areas when you compare housing costs to median household income. Contrary to a downward trend, Grand Rapids experienced a noteworthy 12.8% increase in home prices in December 2023.



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NEAL'S PICKS FOR 2024

# Best Market in the U.S.

## Raleigh Durham, NC

2020's joint winner (with Charlotte) returns, this time on its own.

What differentiates Raleigh from so many other boomtowns is the exceptional quality of talent. Three world class universities anchor this market, and continued demand for talent means that this market, despite huge incoming supply, has continued to see rents rise.





THANK YOU

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20+

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POWER-PACKED WEBINARS

Multifamily University

► [www.multifamilyu.com](http://www.multifamilyu.com)

Free Online Training

**REAL ESTATE TRENDS**

Critical updates 2019...  
PLUS Top 10 cities for investors

With Neal Bawa



Free Online Training

**SECURITIES LAWS**

What you need to know  
about securities laws

With Kim Lisa Taylor



Free Online Training

WHAT YOU NEED TO KNOW  
**OPPORTUNITY ZONES**

Unprecedented New Real  
Estate Tax Strategy

With Neal Bawa



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**USING LLCs FOR STRUCTURING REAL ESTATE TRANSACTIONS**

With Clint Coons



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**EVALUATING MULTIFAMILY PROPERTIES**

Step-by-step through  
our proven system

With Anna Myers



Free Online Training

**EVERYTHING INVESTORS NEED TO KNOW ABOUT THE NEW TAX LAWS IN 2020**

With Toby Mothlis



Free Online Training

**TAX STRATEGIES FOR PASSIVE INVESTORS**

With Brandon Hall



Free Online Training

**AIRBNB & VACATION RENTALS**

Your Secret Profit Weapon

With Ken Barton



Free Online Training

**NEW INVESTORS GUIDE TO MULTIFAMILY FINANCING**

How To Successfully  
Finance Your Deals

With John Brickson



THANK YOU  
FOR JOINING US

# QUESTIONS?

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## Neal Bawa

GROCAPITUS & MULTIFAMILYU

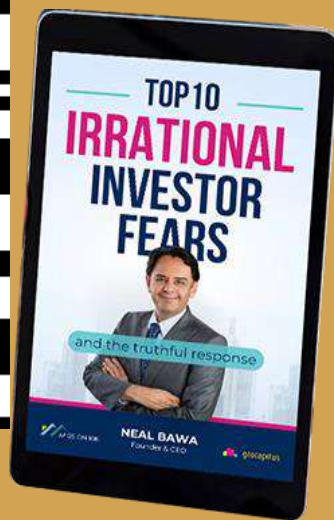


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[neal@grocapitus.com](mailto:neal@grocapitus.com)



EXPLORE ▼

TOP 10 IRRATIONAL  
INVESTOR FEARS



EXPLORE ▼

SKA TOWNHOMES  
AT EQUITY ON LINCOLN



EXPLORE ▼

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